



Grid West Bylaws Presentation

***Grid West Forum
January 9, 2006***



Overview

- ***Written comments***
- ***How have the proposed bylaws been refined since the December 6 Forum?***
- ***High-level summary of previous revisions***
- ***Next steps***



Written Comments Received

- ***The bylaws work group received and posted written comments from 4 parties***
- ***Other comments and discussions were informal***
- ***Most of the comments were positive***
- ***We will summarize comments and responses after reviewing the most recent proposed bylaws revisions***



Further Bylaws Refinements

- ***Special Issues List and Pricing***
 - The bylaws work group concluded that we do not have enough information now to define Grid West's initial pricing proposal
 - If the starting point is unresolved, it is difficult to define significant changes from that point
 - After consulting with members of the pricing work group, the bylaws work group proposes several elements that work together to address long-term pricing



Further Bylaws Refinements

- ***Special Issues List and Pricing (cont'd)***
 - New Section 3.2.2 makes clear that Grid West cannot unilaterally change a TO's rate design for pre-existing transmission agreements
 - Grid West also cannot unilaterally apply to FERC to impose a change to a TO's rate design
 - Grid West's initial proposal for cost-based pricing of long-term transmission rights is subject to the "special issues list" process (Sections 7.16.1 and 7.16.3)



Further Bylaws Refinements

- ***Special Issues List and Pricing (cont'd)***
 - Grid West's members have many tools to make sure they are consulted about any significant changes to pricing after the initial proposal
 - Section 7.17 enables members to determine when they think a pricing change is significant enough to require a supermajority board vote and a 30-day implementation delay



Further Bylaws Refinements

- ***Special Issues List and Pricing (cont'd)***
 - The pricing provisions no longer rely on the term “company rate approach” because at this stage in Grid West’s development the bylaws work group thought it was premature to lock down a definition
 - Other related provisions have been modified or deleted to conform to the new approach (Sections 7.16.1 and 7.16.8)



Further Bylaws Refinements

- ***Number of independent directors (Section 7.1.2(i))***
 - The bylaws still provide for 5 directors until the “critical mass” determination to begin offering transmission services
 - After the “critical mass” determination the Board can expand itself to 7 or 9
 - The Board does not have the power to decrease the Board size after it has been expanded
 - A decrease would require bylaws amendment



Further Bylaws Refinements

- ***MTU definition and voting rights***
 - Section 1.1.26 defines “Major Transmitting Utility”
 - Definition requires at least 550 pole miles of transmission in the Geographic Area and an OATT or equivalent
 - Voting rights (Section 5.14.3(i)) distinguish between current funders and non-funders and, when operational, between those that have and have not signed Transmission Agreements



Further Bylaws Refinements

- ***MTU definition and voting rights (cont'd)***
 - Under Section 5.14.3(i), there is a ratio that allocates voting power according to how many MTUs are in each group (funding/non-funding; signing/non-signing)
 - Voting power of non-signing/non-funding MTUs is capped at 1/3 of MTU Class voting power
 - Section 6.3.2(i) for electing MRC representatives uses the same formula (and cumulative voting is allowed)
 - Conforming changes to Sections 5.2.2, 6.3.5



Further Bylaws Refinements

- ***“Sellers’ Class” definition***
 - Section 1.1.14 defines “Generators, Power Marketers, Large Generating End-Use Consumers, and Others”
 - The definition has been refined to
 - allow developers serving the region with pending interconnection or services requests and money on the table to be members
 - make sure there is some way for everyone who is a transmission customer of Grid West or an MTU to be a Grid West member
 - Clarification to Section 5.2.2(iv) concerning “Power Marketers and Others” sub-class



Further Bylaws Refinements

- ***Provisions for special member vote on budget (Sections 5.15.2 and 7.9.2) have been removed***
 - This follows the feedback from December 6, 2005 Grid West Forum
 - Conforming change to Section 5.1.1(ii)
- ***Section 7.1.1(iv) has been refined to make it clearer which parties are funding transmission owners***



Further Bylaws Refinements

- ***“Guidelines” for Board decisions (Section 7.12.2) have been removed***
 - This follows the feedback from December 6, 2005 Grid West Forum
 - Conforming change to Section 7.16.7(iii)
- ***FERC “poison pill” (Section 12.4.3) has been removed***
 - This follows the feedback from December 6, 2005 Grid West Forum



Further Bylaws Refinements

- ***Section 7.17 (member vote to trigger Supermajority Board Vote and implementation delay)***
 - The original provision has been retained, but the required member vote has been increased from 18 to 20



Further Bylaws Refinements

- ***Initial members of Grid West***
 - Section 5.3.1 provides that all the entities listed on an attachment to the bylaws are members as of the date the bylaws are adopted
 - Default is to “carry over” former members and declaratory members
 - All members that are required to pay dues need to have paid them within 10 days after notice of bylaws adoption to remain members
 - Pre-qualification process under way now



Further Bylaws Refinements

- ***Definition of “Supermajority Board Vote”***
 - New definition in Section 1.1.41 adjusts with Board size
 - 5-member board: 4 of 5
 - 7-member board: 5 of 7
 - 9-member board: 7 of 9
 - Defined term is used in Sections 7.16 and 7.17



Further Bylaws Refinements

- ***Refined definition of “Transmission Agreements”***
 - The definition of “Transmission Agreements” now makes it clear that a Transmission Agreement must enable full implementation of the Grid West basic features
 - There is no requirement to initiate all of the features simultaneously



Further Bylaws Refinements

- ***Clarification of member voting rights related to dissolution (Section 12.4.1)***
 - Members are entitled to vote on whether Grid West should be dissolved
 - Once dissolution has been approved, the Board has the implementing responsibility (for example, plan of distribution)



Further Bylaws Refinements

- ***Refinements to Article X***

- The bylaws work group received feedback from Grid West's CPA suggesting some clarifications
- As the work group looked more closely at the entire section, it became clear that other clean-up was needed, such as
 - public rights to Grid West records should not be *broad*er than members' rights (limited by statute)
 - quarterly reports should be informative, but should not unduly burden Grid West staff and funds



Written Comments

- ***We received written comments from four parties.***
 - Most commenters were very supportive of the proposed bylaws.
 - The written comments have been posted.



Written Comments

- ***Comments from BPA***
 - Recall that the Grid West Forum asked the bylaws work group to offer recommendations for improving Grid West as an organization
 - Of bylaws work group's proposals, these changes were incorporated:
 - Removing mandatory member vote and board supermajority vote for budget increases (Sections 5.15.2 and 7.9.2)
 - removing the “guiding principles” (Section 7.12.2)
 - removing the FERC “poison pill” (Section 12.4.3)
 - Increasing “member concern” vote (under Section 7.17), which triggers supermajority board vote and 30-day implementation delay, from 18 member votes to 20 member votes



Written Comments

- ***Comments from BPA***

- BPA's comment's urged that all of these changes be undone (restore the provisions to their original form)
- BPA also stated that the Grid West Board should not have the power to expand the Grid West Geographic Area without a member vote



Written Comments

- ***Comments from BPA***

- The bylaws work group discussed BPA's comments thoroughly and concluded:
 - There was more support for retaining the changes than for reversing them
 - The changes were proposed to decrease the risk that Grid West would not be able to function effectively
 - The funders supporting Grid West going forward are taking the financial risk if Grid West does not succeed and they support these changes



Written Comments

- ***Other comments***

- Northern Wasco County PUD sent comments that were mostly supportive, but expressed concern that long-term pricing provisions did not mention intent to provide cost-based services
 - Language in Section 7.16.3 (and associated drafting notes) have been clarified and we have followed up with Northern Wasco County PUD



Written Comments

- ***Other comments***
 - UMPA expressed concern about whether voting power was being shifted between member classes
 - A representative of the bylaws work group contracted UMPA and explained that there are no changes to the relative voting power of the Grid West member classes



Summary of Earlier Revisions

- ***Section 1.1.15 – Definition of “Geographic Area”***
 - Definition is the same as before, except that the independent Board can expand the area (within the Western Interconnection) when appropriate
- ***Section 1.1.17 – New definition – “Grid West Basic Features”***
 - The basic definition refers to the market and operations design developed by the TLSG, but can evolve within limits



Summary of Earlier Revisions

- ***Section 1.1.42 – Definition of “Transmission Agreements”***
 - The definition now ties into the “Grid West Basic Features
- ***Section 5.3.1 – Initial Members of Grid West***
 - This provision refers to an attachment that lists initial Grid West members when the bylaws are adopted
- ***Section 7.1.1(iv) – Board’s role to develop Transmission Agreements***
 - Board must work diligently to promptly complete the Transmission Agreements by negotiating with funding transmission owners



Summary of Earlier Revisions

- ***Section 7.1.1(v) – Board determines when to start offering transmission services***
 - Board determines when it has a “critical mass” of Transmission Agreements to begin offering transmission services
- ***Section 7.1.1(vi) – Grid West can take logical implementation steps before it has signed Transmission Agreements***
 - This language authorizes Grid West to take steps toward implementation of the “Grid West Basic Features” where feasible before Transmission Agreements are in place



Summary of Earlier Revisions

- ***Section 7.2.2(ii) – Identification of Board candidates***
 - At least half the slate for any first-round vote for Board members must be candidates with significant experience in the electric utility industry in the Grid West Geographic Area
- ***Section 12.5.2 – Amending bylaws***
 - Lower the threshold for members to approve a Board-approved amendment to Grid West's bylaws from 4 of 5 member classes (each by at least 2/3) to a minimum of 16 votes (with 2/3 of at least 3 member classes)



Next Steps

- ***Based on feedback on from this meeting, the bylaws work group will prepare final proposed bylaws for Grid West***
- ***The final bylaws will be posted as soon as they are ready***
- ***The bylaws work group will recommend to the Grid West Board that it adopt the final bylaws if funders commit to move forward***



Questions and Feedback